GOVERNMENT OF INDIA
COMMERCE AND INDUSTRY
LOK SABHA

UNSTARRED QUESTION NO:536
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IMPACT OF GLOBAL RECESSION
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Will the Minister of COMMERCE AND INDUSTRY be pleased to state:

(a) whether any assessment has been made regarding the impact of recession on domestic industry;

(b) if so, the details and outcome thereof indicating the number of industrial units closed down as a result thereof;

(c) whether Government is considering any bail-out package for such industries;

(d) if so, the details thereof; and

(e) the details of short term and long term strategies being prepared to increase investment in industrial sector and enhance job opportunities alongwith the achievements made therein?

Answer

THE MINISTER OF STATE IN THE MINISTRY OF COMMERCE & INDUSTRY(SHRI ASHWANI KUMAR)

(a) & (b): The industrial growth is monitored through Index of Industrial Production (IIP) released by Central Statistical Organization (CSO). The industrial growth in terms of IIP for April-December, 2008-09 was 3.2% compared to 9.0% of the corresponding period of the previous year.

The global recession has affected some of the export oriented industries in India, such as textiles, handicrafts, leather, and gems and jewellery.Slowdown in the demand for automobiles and its ancillaries, cement, steel, housing sector etc. has also been seen.

(c) to (e): Government has announced two stimulus packages on 7th December, 2008 and 2nd January, 2009 to protect industries from global recession.Measures introduced in these two bail-out packages, interalia, include:

Reduction in Cenvat/ Excise duty : As an immediate measure to encourage additional spending,an across-the-board cut of 4% in the ad valorem CENVAT rate except petroleum was announced.

Measures to Support Exports : Several measures have been taken to support exporters such as:

$ Interest subvention of 2% for pre and post shipment export credit for labour intensive industries such as textiles, handlooms, handicrafts, leather, Gems and jewellery, marine products and Micro, Small & Medium Enterprise sector.

$ Additional funds of Rs.1100 crore to ensure full refund of Terminal Excise duty/Central Sales Tax.

$ An additional allocation for export incentive schemes of Rs.350 crore .

$ Government back-up guarantee to Export Credit Guarantee Corporation (ECGC) to the extent of Rs.350 crore to enable it to provide guarantees for exports to difficult markets/products.

$ Refund of service tax to exporters on foreign agent commissions of upto 10 percent of Freight On Board (FOB) value of exports.

$ Enhancement of duty drawback benefits on certain items including knitted fabrics, bicycles, agricultural hand tools and specified categories of yarn.

$ Providing pre-shipment credit, in rupees or dollars to Indian exporters at competitive rates by Export Import (EXIM) bank.

Housing :

$ Refinance facility of Rs.4000 crore for the National Housing Bank by RBI.

$ To facilitate access to funds for the housing sector, the development of integrated townships have been permitted as an eligible end-use of the External Commercial Borrowing (ECB).

Micro, Small & Medium Enterprise (MSME) Sector:

$ Refinance facility of Rs.7000 crore for Small Industries Development Bank of India (SIDBI) by the Reserve Bank of India (RBI) to support MSMEs.

$ Enhancement of the loan limit to Rs. 1 crore under Credit Guarantee Scheme.

$ Grant of need -based ad-hoc working capital loans upto 20% of the existing fund-based limits.

$ Reduction in interest rates for borrowing by micro enterprises by 1% and in respect of Small and Medium Enterprises (SMEs) by 0.5%.

Textiles:

$ An additional allocation of Rs.1400 crore to clear the entire backlog in Technology Upgradation Fund (TUF) Scheme.

$ All items of handicrafts included under 'Vishesh Krishi & Gram Udyog Yojana'.

Cement: Countervailing Duty (CVD) on Cement reimposed to protect and promote domestic Cement Industry.

Automobile:

$ Accelerated depreciation of 50% for commercial vehicles.

$ Assistance to the state under the Jawaharlal Nehru National Urban Renewal Mission (JNNURM) for the purchase of buses for the urban transport system.

Power

$ Elimination of import duty on Naptha for use in the Power Sector.

Mining

$ Elimination of export duty on iron ore fines.

$ Reduction of export duty on iron ore lumps.

Others: Government Departments are allowed to replace government vehicles within the allowed budget, in relaxation of extant economy instructions.

In addition, Reserve Bank of India (RBI) has taken a number of steps to reduce the cost of credit and improve liquidity for industry by reducing Repo rate, Statutory Liquidity Ratio (SLR), and Cash Reserve Ratio (CRR).

The lowering of cost of credit through reduction in interest rate and across the board reduction of 4% in CENVAT rate have helped to stimulate the demand for industry, investment and creation of jobs.